

Message Text

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PAGE 01 LA PAZ 01779 01 OF 02 012332Z
ACTION ARA-14

INFO OCT-01 ISO-00 SS-15 EB-08 INR-10 SP-02 IO-13
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FM AMEMBASSY LA PAZ
TO SECSTATE WASHDC IMMEDIATE 9696

LIMITED OFFICIAL USE SECTION 1 OF 2 LA PAZ 1779

STADIS//////////

FOR: ARA/AND/B AND AMBASSADOR BOEKER

E.O. 11652: N/A
TAGS: ENRG, EGEN, BL
SUBJECT: YPFB'S FINANCIAL DEFICIT AND POSSIBLE FOREIGN FINANCING

REF: (A) LA PAZ 1516, (B) LA PAZ 1101

1. THE FOLLOWING IS THE INFORMATION WE HAVE BEEN ABLE TO OBTAIN SO FAR ABOUT YPFB'S SO-CALLED \$50 MILLION FINANCIAL PROBLEM. UNFORTUNATELY, WE HAVE HAD DIFFICULTY OBTAINING DETAILS ABOUT PLANNED INVESTMENT PROJECTS WHICH MIGHT BE ABLE TO BE FINANCED BY SOME EXTERNAL SOURCE SUCH AS EX-IM BANK. THE BASIC PRINCIPAL OF EX-IM FINANCING FOR SOME OF THOSE INVESTMENT PROJECTS COULD BE DISCUSSED AT PRESENT, AND DETAILS ON PROJECTS COULD BE SUPPLIED LATER.

2. BASICALLY, BOLIVIA'S NATIONAL PETROLEUM CORPORATION, YPFB, IS IN A PROMISING ECONOMIC POSITION. AFTER-TAX OPERATING PROFITS WERE \$33 MILLION, \$52 MILLION AND \$30 MILLION (ESTIMATED) IN 1975, 1976 AND 1977 RESPECTIVELY. NET SALES IN 1978 WILL BE ABOUT \$243 MILLION. THE COMPANY HAS FIXED ASSETS OF \$650 MILLION AND A TOTAL DEBT OF ABOUT \$300 MILLION. HOWEVER, THE
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PAGE 02 LA PAZ 01779 01 OF 02 012332Z

COMPANY IS CAUGHT IN A THREE-WAY SQUEEZE WHICH WILL CAUSE A CASH-FLOW PROBLEM IN 1978:

A. PETROLEUM PRODUCTION WILL NOT RECOVER AS WELL AS EXPECTED DUE MAINLY TO SLOWER THAN EXPECTED COMING INTO PRODUCTION OF OCCIDENTAL'S FIELD AT TITA. CONSEQUENTLY, PETROLEUM EXPORTS WILL PROBABLY REACH ONLY 4.5 MILLION BARRELS RATHER THAN THE

6.5 MILLION BARRELS ORIGINALLY EXPECTED, REDUCING YPFB'S EXPORT REVENUES BY ABOUT \$27 MILLION FROM OUR ORIGINAL ESTIMATE. THEREFORE ESTIMATED AFTER TAX PROFITS WILL DECLINE TO ABOUT \$17 MILLION IN 1978. ANNEX I CONTAINS A REVISED PRODUCTION AND EXPORT FORECAST.

B. A BADLY NEEDED DOMESTIC GASOLINE PRICE INCREASE PROBABLY CANNOT OCCUR FOR POLITICAL REASONS IN AN ELECTION YEAR.

C. YPFB HAS A NUMBER OF INVESTMENT PROJECTS PLANNED WHICH IT BELIEVES WILL ADD SIGNIFICANTLY TO FUTURE PRODUCTION AND MARKETING PROSPECTS. IT ALSO HAS SEVERAL ONGOING INVESTMENT PROJECTS WHICH ARE NOT COMPLETELY FINANCED. YPFB DOES NOT HAVE ADEQUATE INTERNAL FUNDS TO FINANCE THESE PROJECTS, BUT ITS MANAGEMENT STRONGLY DESIRES TO GO AHEAD WITH THEM ANYWAY BECAUSE OF THEIR FUTURE PROFIT POTENTIAL. THEREFORE, YPFB IS DRAGGING ITS FEET ON TAX PAYMENTS IN ORDER TO RETAIN FUNDS FOR ITS INVESTMENT PROGRAM. NO ROYALTY PAYMENTS HAVE YET BEEN MADE FOR FEBRUARY -- AN ESTIMATED \$3 MILLION.

3. NEW PROJECT FINANCING. AT THE PRESENT MOMENT YPFB HAS A LIST OF UNFINANCED INVESTMENT PROJECTS WHICH TOTAL \$64 MILLION, OF WHICH YPFB OFFICIALS ESTIMATE ABOUT 65 PERCENT WILL BE IN FOREIGN EXCHANGE COSTS OR ABOUT \$43 MILLION. LISTED BELOW ARE THOSE WHICH MIGHT BE FINANCED BY EX-IM BANK. YPFB IS TRYING TO REDUCE THE OVERALL LIST SO THAT SOME PARTS OF THESE PROJECTS COULD BE FURTHER DECREASED FOR 1978. LIMITED OFFICIAL USE

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PAGE 03 LA PAZ 01779 01 OF 02 012332Z

THE AMOUNT LISTED FOR EACH PROJECT IS ONLY THE ESTIMATED FOREIGN EXCHANGE COST AND DOES NOT INCLUDE THE DRAW DOWN OF STOCKS AND LOCAL PESO COSTS (ALSO NEEDING FINANCING). THE VAST MAJORITY OF THE COSTS WILL BE FOR SERVICES AND MATERIALS COMING FROM MAINLY US SUPPLIERS. FOR EXAMPLE, IN THE CASE OF EXPLORATION DRILLING THERE WILL BE COSTS OF MUD ENGINEERING AND LOGGING ETC., WHICH WILL BE CONTRACTED BY YPFB EVEN THOUGH THE DRILLING RIGS THEMSELVES BELONG TO YPFB.

(US DOLLARS)

PROJECT	MATERIALS	SERVICES
STUDY OF GAS LINE TO BRAZIL		5,000,000
NINE EXPLORATION WELLS	17,000,000	5,500,000
DRILLING AND DATA PROCESSING EQ.		400,000
VEHICLES	290,000	
10 DEVELOPMENT WELLS	720,000	1,200,000
PRODUCTION FACILITY	2,000,000	
EQUIPMENT (SANTA CRUZ)	560,000	
VEHICLES (SANTA CRUZ)	45,000	
PRODUCTION WORKS (CAMIRI)	5,300,000	
EQUIPMENT (CAMIRI)	640,000	
VEHICLES (CAMARI)	200,000	

INDUSTRIAL PROJECTS (COCHABAMBA)	750,000	
VEHICLES	145,000	
INDUSTRIAL PROJECT (SUCRE)	128,000	
EQUIPMENT (SUCRE)	40,000	
EQUIPMENT (SANTA CRUZ)	509,000	
SERVICE STATIONS	882,000	
STORAGE PLANTS	480,000	
VEHICLES	595,000	
SECURITY SYSTEMS	364,000	
TELEPHONE & DATA EQUIPMENT	291,000	
11 DEVELOPMENT WELLS	2,729,600	2,900,200
PRODUCTION FACILITY	357,000	
GAS ABSORPTION PLANT (RIO GRANDE)	900,000	
COMPRESSION PLANT (COLPA)	650,000	
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PAGE 04 LA PAZ 01779 01 OF 02 012332Z

VEHICLES	60,000	
IBM EQUIPMENT	31,000	
INSTALLATION AND EQUIPMENT	505,500	
VEHICLES	44,450	
OIL LINE (TITA) SANTA CRUZ	#3,546,250	
EXPANSION GAS LINE (YACUIBA- SANTA CRUZ)	#8,104,100	
TOTAL	32,900,000	10,150,000

NOTE: # INCLUDES SERVICES CONTRACTED OUTSIDE BOLIVIA.

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PAGE 01 LA PAZ 01779 02 OF 02 012332Z

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FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC IMMEDIATE 9697

LIMITED OFFICIAL USE SECTION 2 OF 2 LA PAZ 1779

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FOR: ARA/AND/B AMBASSADOR BOEKER

ANNEX I

EMBASSY ESTIMATE OF 1978 PETROLEUM PRODUCTION AND EXPORTS

COMPANY	TOTAL
YPFB	
32,000 BARRELS/DAY	
32,000 X 365 EQUALS	11,680,000
OCCIDENTAL	
JAN 1 TO FEB 10 700 B/D EQUALS	28,700
FEB 10 TO APRIL 15 1500 B/D EQUALS	49,500
APR 15 TO SEPT 15 5,000 B/D EQUALS	760,000
SEPT 15 TO DEC 31 10,000 B/D EQUALS	1,170,000
TOTAL	1,004,100
50 PERCENT FOR YPFB	1,004,100
TESORO	
MAY 1 TO JUNE 15 600 B/D EQUALS	27,000
JUNE 15 TO OCT 31 1,000 B/D EQUALS	135,000
OCT 30 TO DEC 31 2,000 B/D EQUALS	182,000
TOTAL	344,000
60 PERCENT FOR YPFB	206,400
TOTAL YPFB	12,890,500
EST. CONSUMPTION 1 #	8,416,255
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PAGE 02 LA PAZ 01779 02 OF 02 012332Z

YPFB 1978 EXPORTS 4,474,244
VALUE EQUALS 4,474,244 X \$15/B EQUALS \$67,113,662
1 # NOTE: CONSUMPTION ESTIMATED TO INCREASE BY 2.9 PERCENT,
SAME AS IN 1977.
BEAL

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